

105TH CONGRESS
2D SESSION

S. 2582

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

IN THE SENATE OF THE UNITED STATES

OCTOBER 8 (legislative day, OCTOBER 2), 1998

Mr. BREAUX (for himself and Mr. MACK) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Medicare Psychiatric
5 Hospital Prospective Payment System Act of 1998".

6 **SEC. 2. MEDICARE PROSPECTIVE PAYMENT SYSTEM FOR**
7 **PSYCHIATRIC FACILITIES.**

8 (a) ESTABLISHMENT OF PROSPECTIVE PAYMENT
9 SYSTEM.—Section 1886 of the Social Security Act (42

1 U.S.C. 1395ww) is amended by adding at the end the fol-
2 lowing:

3 “(l) PROSPECTIVE PAYMENT SYSTEM FOR INPA-
4 TIENT PSYCHIATRIC SERVICES.—

5 “(1) AMOUNT OF PAYMENT.—

6 “(A) DURING TRANSITION PERIOD.—Not-
7 withstanding section 1814(b), but subject to the
8 provisions of section 1813, the amount of pay-
9 ment with respect to the operating and capital-
10 related costs of inpatient hospital services of a
11 psychiatric facility (as defined in paragraph
12 (7)(C)) for each day of services furnished in a
13 cost reporting period beginning on or after Oc-
14 tober 1, 2000, and before October 1, 2003, is
15 equal to the sum of—

16 “(i) the TEFRA percentage (as de-
17 fined in paragraph (7)(D)) of the facility-
18 specific per diem rate (determined under
19 paragraph (2)); and

20 “(ii) the PPS percentage (as defined
21 in paragraph (7)(B)) of the applicable
22 Federal per diem rate (determined under
23 paragraph (3)).

24 “(B) UNDER FULLY IMPLEMENTED SYS-
25 TEM.—Notwithstanding section 1814(b), but

1 subject to the provisions of section 1813, the
2 amount of payment with respect to the operat-
3 ing and capital-related costs of inpatient hos-
4 pital services of a psychiatric facility for each
5 day of services furnished in a cost reporting pe-
6 riod beginning on or after October 1, 2003, is
7 equal to the applicable Federal per diem rate
8 determined under paragraph (3) for the facility
9 for the fiscal year in which the day of services
10 occurs.

11 “(C) NEW FACILITIES.—In the case of a
12 psychiatric facility that does not have a base
13 fiscal year (as defined in paragraph (7)(A)),
14 payment for the operating and capital-related
15 costs of inpatient hospital services shall be
16 made under this subsection using the applicable
17 Federal per diem rate.

18 “(2) DETERMINATION OF FACILITY-SPECIFIC
19 PER DIEM RATES.—

20 “(A) BASE YEAR.—The Secretary shall de-
21 termine, on a per diem basis, the allowable op-
22 erating and capital-related costs of inpatient
23 hospital services for each psychiatric facility for
24 its cost reporting period (if any) beginning in
25 the base fiscal year (as defined in paragraph

(7)(A)), such costs determined as if subsection (b)(8) did not apply.

“(B) UPDATING.—The Secretary shall update the amount determined under subparagraph (A) for each cost reporting period after the cost reporting period beginning in the base fiscal year and before October 1, 2003, by a factor equal to the market basket percentage increase.

“(3) DETERMINATION OF THE FEDERAL PER DIEM RATE.—

“(A) BASE YEAR.—The Secretary shall determine, on a per diem basis, the allowable operating and capital-related costs of inpatient hospital services for each psychiatric facility for its cost reporting period (if any) beginning in the base fiscal year (as defined in paragraph (7)(A)), such costs determined as if subsection (b)(8) did not apply.

“(B) UPDATING TO FIRST FISCAL YEAR.—The Secretary shall update the amount determined under subparagraph (A) for each cost reporting period up to the first cost reporting period to which this subsection applies by a factor equal to the market basket percentage increase.

1 “(C) COMPUTATION OF STANDARDIZED
2 PER DIEM RATE.—The Secretary shall stand-
3 ardize the amount determined under subpara-
4 graph (B) for each facility by—

5 “(i) adjusting for variations among
6 facilities by area in the average facility
7 wage level per diem; and

8 “(ii) adjusting for variations in case
9 mix per diem among facilities (based on
10 the patient classification system estab-
11 lished by the Secretary under paragraph
12 (4)).

13 “(D) COMPUTATION OF WEIGHTED AVER-
14 AGE PER DIEM RATES.—

15 “(i) SEPARATE RATES FOR URBAN
16 AND RURAL AREAS.—Based on the stand-
17 ardized amounts determined under sub-
18 paragraph (C) for each facility, the Sec-
19 retary shall compute a separate weighted
20 average per diem rate—

21 “(I) for all psychiatric facilities
22 located in an urban area (as defined
23 in subsection (d)(2)(D)); and

1 “(II) for all psychiatric facilities
2 located in a rural area (as defined in
3 subsection (d)(2)(D)).

4 “(ii) FOR HOSPITALS AND UNITS.—
5 Subject to paragraph (7)(C), in the areas
6 referred to in clause (i) the Secretary may
7 compute a separate weighted average per
8 diem rate for—

9 “(I) psychiatric hospitals; and

10 “(II) psychiatric units described
11 in the matter following clause (v) of
12 subsection (d)(1)(B).

13 If the Secretary establishes separate aver-
14 age weighted per diem rates under this
15 clause, the Secretary shall also establish
16 separate average per diem rates for facili-
17 ties in such categories that are owned and
18 operated by an agency or instrumentality
19 of Federal, State, or local government and
20 for facilities other than such facilities.

21 “(iii) WEIGHTED AVERAGE.—In com-
22 puting the weighted averages under clauses
23 (i) and (ii), the standardized per diem
24 amount for each facility shall be weighted
25 for each facility by the number of days of

1 inpatient hospital services furnished during
2 its cost reporting period beginning in the
3 base fiscal year.

4 “(E) UPDATING.—The weighted average
5 per diem rates determined under subparagraph
6 (D) shall be updated for each fiscal year after
7 the first fiscal year to which this subsection ap-
8 plies by a factor equal to the market basket
9 percentage increase.

10 “(F) DETERMINATION OF FEDERAL PER
11 DIEM RATE.—

12 “(i) IN GENERAL.—The Secretary
13 shall compute for each psychiatric facility
14 for each fiscal year (beginning with fiscal
15 year 2001) a Federal per diem rate equal
16 to the applicable weighted average per
17 diem rate determined under subparagraph
18 (E), adjusted for—

19 “(I) variations among facilities
20 by area in the average facility wage
21 level per diem;

22 “(II) variations in case mix per
23 diem among facilities (based on the
24 patient classification system estab-

1 lished by the Secretary under para-
2 graph (4)); and

3 “(III) variations among facilities
4 in the proportion of low-income pa-
5 tients served by the facility.

6 “(ii) OTHER ADJUSTMENTS.—In com-
7 puting the Federal per diem rates under
8 this subparagraph, the Secretary may ad-
9 just for outlier cases, the indirect costs of
10 medical education, and such other factors
11 as the Secretary determines to be appro-
12 priate.

13 “(iii) BUDGET NEUTRALITY.—The ad-
14 justments specified in clauses (i)(I),
15 (i)(III), and (ii) shall be implemented in a
16 manner that does not result in aggregate
17 payments under this subsection that are
18 greater or less than those aggregate pay-
19 ments that otherwise would have been
20 made if such adjustments did not apply.

21 “(4) ESTABLISHMENT OF PATIENT CLASSIFICA-
22 TION SYSTEM.—

23 “(A) IN GENERAL.—The Secretary shall
24 establish—

1 “(i) classes of patients of psychiatric
2 facilities (in this paragraph referred to as
3 ‘case mix groups’), based on such factors
4 as the Secretary determines to be appro-
5 priate; and

6 “(ii) a method of classifying specific
7 patients in psychiatric facilities within
8 these groups.

9 “(B) WEIGHTING FACTORS.—For each
10 case mix group, the Secretary shall assign an
11 appropriate weighting factor that reflects the
12 relative facility resources used with respect to
13 patients classified within that group compared
14 to patients classified within other such groups.

15 “(5) DATA COLLECTION; UTILIZATION MON-
16 ITORING.—

17 “(A) DATA COLLECTION.—The Secretary
18 may require psychiatric facilities to submit such
19 data as is necessary to implement the system
20 established under this subsection.

21 “(B) UTILIZATION MONITORING.—The
22 Secretary shall monitor changes in the utiliza-
23 tion of inpatient hospital services furnished by
24 psychiatric facilities under the system estab-
25 lished under this subsection and report to the

1 appropriate committees of Congress on such
2 changes, together with recommendations for
3 legislation (if any) that is needed to address un-
4 warranted changes in such utilization.

5 “(6) SPECIAL ADJUSTMENTS.—Notwithstand-
6 ing the preceding provisions of this subsection, the
7 Secretary shall reduce aggregate payment amounts
8 that would otherwise be payable under this sub-
9 section for inpatient hospital services furnished by a
10 psychiatric facility during cost reporting periods be-
11 ginning in fiscal years 2001 and 2002 by such uni-
12 form percentage as is necessary to assure that pay-
13 ments under this subsection for such cost reporting
14 periods are reduced by an amount that is equal to
15 the sum of—

16 “(A) the aggregate increase in payments
17 under this title during fiscal years 1998, 1999,
18 and 2000, that is attributable to the operation
19 of subsection (b)(8); and

20 “(B) the aggregate increase in payments
21 under this title during fiscal years 2001 and
22 2002 that is attributable to the application of
23 the market basket percentage increase under
24 paragraphs (2)(B) and (3)(E) of this subsection

1 in lieu of the provisions of subclauses (VI) and
2 (VII) of subsection (b)(3)(B)(ii).

3 Reductions under this paragraph shall not affect
4 computation of the amounts payable under this sub-
5 section for cost reporting periods beginning in fiscal
6 years after fiscal year 2002.

7 “(7) DEFINITIONS.—For purposes of this sub-
8 section:

9 “(A) The term ‘base fiscal year’ means,
10 with respect to a hospital, the most recent fiscal
11 year ending before the date of the enactment of
12 this subsection for which audited cost report
13 data are available.

14 “(B) The term ‘PPS percentage’ means—

15 “(i) with respect to cost reporting pe-
16 riods beginning on or after October 1,
17 2000, and before October 1, 2001, 25 per-
18 cent;

19 “(ii) with respect to cost reporting pe-
20 riods beginning on or after October 1,
21 2001, and before October 1, 2002, 50 per-
22 cent; and

23 “(iii) with respect to cost reporting
24 periods beginning on or after October 1,

1 2002, and before October 1, 2003, 75 per-
2 cent.

3 “(C) The term ‘psychiatric facility’
4 means—

5 “(i) a psychiatric hospital; and

6 “(ii) a psychiatric unit described in
7 the matter following clause (v) of sub-
8 section (d)(1)(B).

9 “(D) The term ‘TEFRA percentage’
10 means—

11 “(i) with respect to cost reporting pe-
12 riods beginning on or after October 1,
13 2000, and before October 1, 2001, 75 per-
14 cent;

15 “(ii) with respect to cost reporting pe-
16 riods beginning on or after October 1,
17 2001, and before October 1, 2002, 50 per-
18 cent; and

19 “(iii) with respect to cost reporting
20 periods beginning on or after October 1,
21 2002, and before October 1, 2003, 25 per-
22 cent.”.

23 (b) LIMIT ON REDUCTIONS UNDER BALANCED
24 BUDGET ACT.—Section 1886(b) of the Social Security Act

1 (42 U.S.C. 1395ww(b)) is amended by adding at the end
2 the following:

3 “(8)(A) Notwithstanding the amendments made by
4 sections 4411, 4414, 4415, and 4416 of the Balanced
5 Budget Act of 1997, in the case of a psychiatric facility
6 (as defined in subparagraph (B)(ii)), the amount of pay-
7 ment for the operating costs of inpatient hospital services
8 for cost reporting periods beginning on or after October
9 1, 1997, and before October 1, 2000, shall not be less than
10 the applicable percentage (as defined in subparagraph
11 (B)(i)) of the amount that would have been paid for such
12 costs if such amendments did not apply.

13 “(B) For purposes of this paragraph:

14 “(i) The term ‘applicable percentage’ means—

15 “(I) 95 percent for cost reporting periods
16 beginning on or after October 1, 1997, and be-
17 fore October 1, 1998;

18 “(II) 92.5 percent for cost reporting peri-
19 ods beginning on or after October 1, 1998, and
20 before October 1, 1999; and

21 “(III) 90 percent for cost reporting periods
22 beginning on or after October 1, 1999, and be-
23 fore October 1, 2000.

24 “(ii) The term ‘psychiatric facility’ means—

25 “(I) a psychiatric hospital; and



1 “(II) a psychiatric unit described in the
2 matter following clause (v) of subsection
3 (d)(1)(B).”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 subsections (a) and (b) shall apply as if included in the
6 enactment of the Balanced Budget Act of 1997.

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